

**ELAINE P. NUNEZ COMMUNITY
COLLEGE FOUNDATION**

Financial Statements

June 30, 2014

(With Independent Auditors' Report Thereon)

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

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Independent Auditors' Report

To the Board of Directors

Elaine P. Nunez Community College Foundation

Chalmette, Louisiana

We have audited the accompanying financial statements of the Elaine P. Nunez Community College Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Elaine P. Nunez Community College Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Griffin & Company, LLC

October 16, 2014

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position

June 30, 2014

Assets

Cash & cash equivalents:		
Restricted	\$	370,165
Unrestricted		<u>49,304</u>
Total cash & cash equivalents		419,469
Investments:		
Restricted		25,465
Unrestricted		<u>7,606</u>
Total investments		33,071
Property & equipment, net		-
Permanently restricted cash		405,000
Permanently restricted investments		<u>495,000</u>
Total assets	\$	<u><u>1,352,540</u></u>

Liabilities & Net Assets

Liabilities:		
Accounts payable	\$	<u>3,623</u>
Total liabilities		3,623
Net Assets:		
Unrestricted		53,854
Temporarily restricted		395,063
Permanently restricted		<u>900,000</u>
Total net assets		<u>1,348,917</u>
Total liabilities & net assets	\$	<u><u>1,352,540</u></u>

See accompanying notes to the financial statements.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Statement of Activities

For the Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support & revenues:				
Contributions	\$ 53,004	11,202	-	64,206
Development and fundraising (Gala)	38,078	-	-	38,078
Interest income	38	717	-	755
Dividend income	242	19,750	-	19,992
Unrealized gain on investments	711	28,306	-	29,017
Realized loss on investments	-	(4,141)	-	(4,141)
Net assets released from restrictions	54,811	(54,811)	-	-
Total support & revenues	146,884	1,023	-	147,907
Expenses:				
Program services:				
Industrial technology	16	-	-	16
Institutional administrative	13,844	-	-	13,844
Community outreach	7,088	-	-	7,088
Endowed professorships	14,911	-	-	14,911
Scholarships	16,299	-	-	16,299
Enhancement	5,000	-	-	5,000
Supporting services:				
Accounting	6,854	-	-	6,854
Fund raising expenses (Gala)	7,067	-	-	7,067
Donated services	47,222	-	-	47,222
Other	5,062	-	-	5,062
Total expenses	123,363	-	-	123,363
Change in net assets	23,521	1,023	-	24,544
Net assets - beginning of year	30,333	394,040	900,000	1,324,373
Net assets - end of year	\$ 53,854	395,063	900,000	1,348,917

See accompanying notes to the financial statements.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Statement of Cash Flows

For the Year ended June 30, 2014

Cash flows from operating activities:		
Change in net assets	\$	24,544
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Unrealized gain on investments		(29,017)
Realized loss on investments		4,141
Decrease in liabilities:		
Accounts payable		<u>(11,377)</u>
Total adjustments		<u>(36,253)</u>
Net cash used by operating activities		(11,709)
Cash flows from investing activities:		
Purchase of permanently restricted investments		(195,148)
Net proceeds from sales of unrestricted investments		6,068
Net proceeds from sales of permanently restricted investments		<u>180,070</u>
Net cash used in investing activities		<u>(9,010)</u>
Net decrease in cash & cash equivalents		(20,719)
Cash & cash equivalents, beginning of year		<u>845,188</u>
Cash & cash equivalents, end of year	\$	<u><u>824,469</u></u>
Cash and cash equivalents reconciliation:		
Temporarily Restricted	\$	370,165
Unrestricted		49,304
Permanently Restricted		<u>405,000</u>
Cash and cash equivalents, end of year	\$	<u><u>824,469</u></u>

See accompanying notes to the financial statements.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2014

(1) History and Organization

The Elaine P. Nunez Community College Foundation (the Foundation) is a private, nonprofit 501 (c) (3) organizations dedicated to assisting the students attending Elaine P. Nunez Community College in pursuing their collegiate training. The Foundation also provides the Community College with funds to purchase personal property, to pay for services for instruction, to provide scholarships, and for the purpose of providing funds to carry on any proper activity of the College.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

The Foundation has adopted the financial reporting standards requirements as set forth in the Statement of Financial Accounting Standards No. 117, “Financial Statements of Not-for-Profit Organization”. Accordingly, the net assets of the Foundation are classified as both unrestricted and temporarily restricted.

(b) Cash & Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include bank deposits, money market accounts and certificates of deposit with maturities of three months or less.

(c) Cash & Cash Equivalents - Restricted

Restricted cash and cash equivalents consists of cash on deposit with financial institutions, the use of which is temporarily restricted for specific uses in subsequent periods and permanently restricted for Endowed Professorship Programs.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2014

(2) Summary of Significant Accounting Policies

(d) Use of Estimates

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(e) Investments

Investments, consisting of equity securities and mutual funds are recorded at fair value. Unrealized gains and losses on investments with readily determinable fair values are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

- Level 1 lies at the top of the hierarchy, where inputs are quoted prices in active markets.
- Level 2 inputs are in the middle of the hierarchy, where data are adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.
- Level 3 inputs are unobservable and generated by the entity itself.

Certain investments in equity securities consist of publicly registered, non-listed real estate investment trusts (REIT) and business development companies (BDC). These investments are not publicly traded and thus active market prices are not available. The Foundation estimates the cost of these investments to approximate fair market value as the unit offering prices have remained unchanged since the purchase of these investments. This is considered a level 3 input for purposes of the fair value hierarchy. Aside from the initial purchase of these investments, there were no other increases or decreases in these investments during the year. All remaining investments are measured at level 1 inputs.

(f) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2014

(2) Summary of Significant Accounting Policies

(f) Income Taxes

The Foundation's evaluation as of June 30, 2014 revealed no tax position that would have a material impact on the financial statements. The 2010 through 2013 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

(g) Revenue Recognition & Receivables

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived operating assets such as land, building, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(h) Property & Equipment

Property and equipment are stated at cost, less allowance for accumulated depreciation. Additions, improvements, and betterments to property and equipment in excess of \$250 which extend its useful life or increase its carrying value are capitalized.

Expenditures for maintenance, repairs, and improvements which do not materially extend the useful lives of the assets are charged to expense as incurred. When property and equipment are removed from service, the cost of the asset and the related accumulated depreciation are removed from the books, and any resulting gain or loss is credited to or charged against the current period's change in net assets.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. The Foundation's property and equipment consists of computer equipment with estimated useful lives used in computing depreciation of three years.

(3) Concentrations of Credit Risk

The Foundation maintains its cash in bank deposit accounts at various financial institutions in the Greater New Orleans area where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2014

(3) Concentrations of Credit Risk

As of June 30, 2014, the Foundation's cash and cash equivalents were insured or collateralized with securities held by the bank in the name of the Foundation.

The Foundation receives a majority of its funding from individuals and small businesses located in the Southeast Louisiana area. These donations are generally received through a pledge campaign from Friends of the College.

(4) Investments

Fair value hierarchy classification at June 30, 2014, are summarized by category as follows:

	<u>Carrying Value</u>	<u>Fair Value Hierarchy</u>
Equity securities	\$ 72,921	Level 1
Mutual funds	400,150	Level 1
Equity securities (REIT & BDC)	<u>55,000</u>	Level 3
	<u>\$ 528,071</u>	

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014:

Dividends and interest	\$ 19,992
Realized loss on investments	(4,141)
Unrealized gain on investments	<u>29,017</u>
	<u>\$ 44,868</u>

(5) Property & Equipment

Property & equipment is summarized as follows

Computer equipment	\$ 4,294
Less accumulated depreciation	<u>(4,294)</u>
	<u>\$ -</u>

There was no depreciation and amortization expense in 2014.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2014

(6) Net Assets Released from Restrictions

Temporarily restricted net assets are designated to support the following as of June 30, 2014:

Arts Department	\$ 9,871
Horace Evans Fund	5,000
Student Activity	828
Day Care	1,702
Library Funds	1,720
History Lecture Series	718
Chancellor's Fund	39,168
Educational Partnership	8,220
NOETC Fund	15,000
Industrial Tech Fund	49,833
Scholarships	59,709
Other	6,078
Investment Income Restricted for Scholarships & Professorships	<u>196,851</u>
	<u>\$ 395,063</u>

Net assets were released from restrictions for the following purposes during the year ended June 30, 2014:

History Lecture Series	\$ 7,088
Chancellor's Fund	10,321
Industrial Tech Fund	292
Other	22,199
Investment Income Restricted for Scholarships & Professorships	<u>14,911</u>
	<u>\$ 54,811</u>

Permanently restricted net assets consist of \$900,000 of Endowed Professorship Programs (more fully disclosed in Note 7) at June 30, 2014.

(7) Restricted Assets

Donor Designated Endowments

The Foundation's endowment consists of 9 individual Endowed Professorship funds established to provide a permanent endowment beginning with \$100,000. These endowments are generally created by non-state contributions to the university that equal 60% of the endowment and are matched with funds from the Louisiana Board of Regents that equal 40% of the endowment. As

Notes to Financial Statements

June 30, 2014

(7) Restricted Assets

Donor Designated Endowments

required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation follows the Louisiana Board of Regents Statement of Investment Policy and Objectives from endowment assets that attempt to provide a source of funds provided through a return on the invested capital for the current and future support of the programs while also maintaining the purchasing power of these endowment assets over the long-term. Accordingly, the investment process seeks to attain an average real total return at or above the level of spending and fees. Real total return is investment return (gains and losses, realized and unrealized, as well as earnings) minus inflation. Inflation is measured by the change in the Consumer price Index – Urban.

Spending Policy

The Foundation follows the Louisiana Board of Regents Statement of Investment Policy and Objectives. The Foundation has a policy of appropriating for distribution each year an amount not greater than 5% of the market value of Program Assets averaged on a consistent basis for the five most recent fiscal trust fund years, provided that the market value of the Program Assets at the end of the most recent fiscal trust fund year exceeds the original corpus of the endowment. When the current market value of Program Assets is below the original corpus of that endowment, no spending is allowed. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2014

(7) Restricted Assets

Spending Policy

Changes in endowment net assets for the year ended June 30, 2014 is summarized as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Net Endowment <u>Assets</u>
Endowment net assets, beginning of year	\$ 144,841	900,000	1,044,841
Interest and dividend income	20,247	-	20,247
Unrealized gain on investments	28,306	-	28,306
Realized loss on investments	(4,141)		(4,141)
Amount appropriated for expenditure	<u>(27,293)</u>	<u>-</u>	<u>(27,293)</u>
Endowment net assets, end of year	<u>\$ 161,960</u>	<u>900,000</u>	<u>1,061,960</u>

(8) Related Party Transactions

The Foundation makes donations to Elaine P. Nunez Community College to support its various programs. The College provides the Foundation with office space and with part time administrative personnel free of charge. The estimated value of these items amounts to \$52,037 and is recorded as contribution revenue and supporting services expenses in the Statement of Activities.

During June 30, 2014, all board members contributed \$100 to the Foundation.

(9) Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through October 16, 2014, the date which the financial statements were available to be issued.